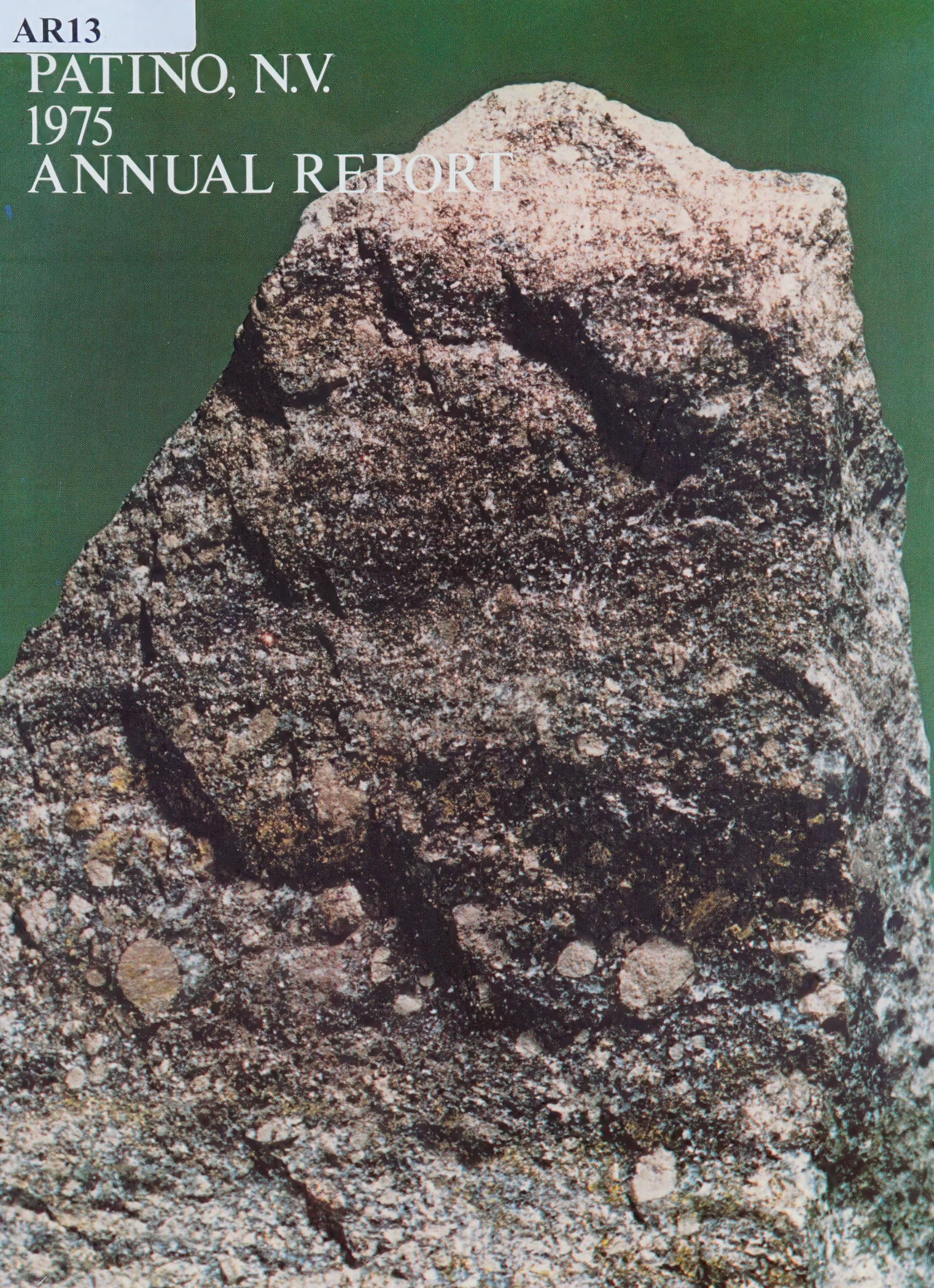


AR13

PATINO, N.V.
1975
ANNUAL REPORT



Patiño, N.V.

Directors and Officers

A. Patiño R., *Chairman of the Board, Director*
J. Ortiz-Patiño, *Deputy Chairman of the Board, Director*
P. J. Keenan, C. A., *President and Chief Executive, Director*
D. Azéma, *Director*
M. P. Bloemsma, *Director*
G. Gutiérrez, *Vice-President, Director*
P. M. Haas, *Director*
S. P. Ogryzlo, *Vice-President, Director*
G. Ortiz P., *Director*
J. Van der Spek, *Director*

W. A. Thompson, C.A., *Secretary-Treasurer*
A. W. Oughtred, *Assistant Secretary*

Head Office

Catsheuvel 6, 12th Floor
The Hague, The Netherlands
Telephone 554318
Telex 32012

Bankers

Bank of Montreal
Bank Mees & Hope N.V.

Stock Exchanges

Toronto and Montreal

Transfer Agents and Registrars

Patiño, N.V., The Hague
National Trust Company, Limited
Toronto and Montreal

Auditors

Price Waterhouse & Co.

financial highlights

(expressed in thousands of Canadian dollars)

For the year ended 31st December	1975	1974
Income before extraordinary items <i>per share</i>	\$ 2,137 \$ 0.50	\$18,471 \$ 4.22
Extraordinary items <i>per share</i>	3,526 \$ 0.81	694 \$ 0.16
Net income <i>per share</i>	5,663 \$ 1.31	19,165 \$ 4.38
Cash flow from operations <i>per share</i>	7,697 \$ 1.79	25,155 \$ 5.75
Expenditures on fixed assets and mine development and mining properties	13,308	13,410
At the Year End		
Working capital	\$50,842	\$47,191
Shareholders' equity, at book value <i>per share</i>	* 91,456 \$ 21.64	89,004 \$ 20.34

* After deducting \$1.89 million in respect of the purchase by the Company of 149,400 shares of its own issue.

The 1975 per share calculations are based on the average of the number of shares issued during the year, less shares acquired by the Company and/or a wholly-owned subsidiary of the Company.

The cover photograph is a specimen of high grade copper-zinc sulphide ore from Lemoine Mines Limited.

directors' report to the shareholders

Last year's Annual Report stated that, due to depressed metal prices, inflation cost increases and the strike at our Canadian mining operation, 1975 would be a difficult year. In the event, this prediction was, unfortunately, more than adequately fulfilled.

Financial

Income before extraordinary items was \$2.1 million or \$ 0.50 per share and net income was \$5.7 million or \$1.31 per share. Comparative 1974 results were \$18.5 million and \$19.2 million, respectively, or \$4.22 and \$4.38 per share.

If the accomplishments of the past year rested with the financial results previously indicated, there would be cause for disappointment. However, such was not the case. The successful conclusion of negotiations with the French Government, announced on 29th March 1976, resulted from a series of meetings held mainly in 1975 and in the early months of 1976.

This agreement and the Board's decision to accept the offer to sell the Company's interest in Rio Tinto Patiño, S.A., have produced a dramatic change in the Company's liquidity.

Dividends were paid totalling \$ 0.65 per share. The Company purchased on the open market 149,400 shares of its own issue in 1975 at a cost of \$1.9 million.

Sale of interest in Rio Tinto Patiño, S.A.

On 27th February 1976, the Board announced acceptance of the unsolicited offer received from Union Explosivos Rio Tinto, S.A. to acquire the Company's 40% equity interest in Rio Tinto Patiño, S.A. The consideration was US \$32.8 million in cash and this was received on 9th April 1976. As a result, an extraordinary profit of US \$12 million will be reported in the first quarter of 1976.

Agreement with Bureau de Recherches Géologiques et Minières

Following lengthy negotiations, agreement was reached on 29th March 1976 with the French Government's wholly-owned agency, Bureau de Recherches Géologiques et Minières, regarding the Company's nickel mining interests in New Caledonia. The agreement is expected to be finalized on 14th May 1976 but is retroactive to 31st December 1975. Accordingly, the terms of this agreement have been reflected in 1975's financial statements and the New Caledonia assets and liabilities have been deconsolidated.

Under the terms of this agreement the Company will sell 90% of its wholly-owned French subsidiary Cofremmi to BRGM for the following consideration:

- (a) a fully-paid 10% shareholding in Cofremmi with a share capital of US \$110 million;
- (b) a cash payment of US \$9 million;
- (c) royalty and profit participation for a minimum amount of US \$7.8 million.

Cofremmi will undertake to develop garnierite nickel deposits in the north of New Caledonia, comprising the Tiebaghi and Poum deposits now owned by it and the Ile Art deposit to be transferred by BRGM to Cofremmi. Finalization of feasibility studies and further metallurgical testing will be undertaken immediately and it is expected that annual production will be 30,000 to 40,000 metric tons of nickel contained in ferro-nickel. The Company will have Board and management representation and will market its share of nickel production and will have transferred to it the Brazilian investments previously held by Cofremmi.

As a result of this agreement, the Company will fully cover its previous expenditures in New Caledonia and convert to valuable equity an investment which had become dormant, potentially locked in litigation, and which cost over \$1 million per year in overheads and consumed an inordinate amount of executive time and energy.

Canadian operations (100% Equity)

Patiño Mines (Quebec) Limited lost \$920,000 in 1975 as against a profit of \$4 million in 1974. The strike which closed mining operations for the first 3½ months of 1975, extremely depressed copper prices and rampant inflationary cost increases combined to produce this loss.

The new Lemoine mine had metallurgical problems and construction cost overruns. Expenditures on plant and mine development to start-up on 1st March 1976 were \$8.6 million, net of development ore revenue – about \$1.3 million in excess of projected cost. Production and metallurgical performance have now reached a satisfactory level.

Brazil

Overall the Brazilian operations lost \$528,000 in 1975, principally in the Cesbra (90.8% Equity) tin smelter. A return to profit cannot be achieved in the current year due to the Government's ban on domestic financing for Bolivian concentrates which form the bulk of the smelter's feed and exchange losses which have resulted from the rapid decline in the value of the cruzeiro.

Amalgamated Metal Corporation Limited (51.4% Equity)

Under the terms of a Scheme of Arrangement, effective 25th July 1975, AMC was merged with its parent, Consolidated Tin Smelters Limited. CTS is now a wholly-owned subsidiary of AMC.

Profits were much lower than in 1974, which was a quite exceptional year, but acceptable in the light of the world economic conditions which prevailed.

Patiño's financial position

After reflecting the RTP disposal and the receipt of US \$9 million from BRGM, the Company will have cash on short term deposit of over \$45 million after early repayment of \$5.6 million of long term debt, consolidated working capital of \$77 million and shareholders' equity at book value of \$103 million or \$24.40 per share, based on the 4,226,600 shares in the hands of the public. The intrinsic worth of the Canadian mining operations, in particular, and of

the Brazilian investments, is substantially in excess of this book value.

Deputy Chairman

J. Ortiz-Patiño was appointed Deputy Chairman of the Board on 17th December 1975. His active interest in the affairs of the Company is of great assistance.

The outlook for 1976

The year, from an earnings standpoint, has started poorly. Caving of sections of the ore pass at Copper Rand, Lemoine's delayed start-up and depressed copper prices will result in a first quarter loss. However, there are clear signs of a revival in demand and we expect realistic metal prices to prevail in the latter half of 1976.

AMC's earnings are also heavily influenced by the timing of the recovery in the major economies of the world and, accordingly, its management also expects improved results during the latter part of the year.

The Company is well placed, financially and otherwise, to participate in worthwhile mining projects and its efforts will now be directed to this end.

In conclusion, our grateful thanks to the many people who make up the Patiño Group for a splendid effort in a year beset with more than its share of difficulties.

On behalf of the Board of Directors



President and Chief Executive
The Hague, 21st April 1976.

patño mines (quebec) limited

During 1975 metal production was seriously affected by the labour strike which started in November 1974 and ended in April 1975 and also by the temporary shutdown of the Copper Cliff, Jaculet and Portage mines where profitable operations were not considered possible because of the low copper prices which prevailed throughout the year.

At the Copper Rand mine, development and mining of ore zones with a higher than average gold content was stressed to maximize the net smelter returns. As a result, metal production during the year (8 operating months) amounted to 13,814,000 pounds copper, 20,000 ounces gold and 74,000 ounces silver; compared with 25,244,000 pounds copper, 31,000 ounces gold and 123,000 ounces silver in 1974. Tonnage of ore treated decreased to 440,000 tons from 859,000 tons in the previous year. Average price received for copper was 55.6 ¢. Revenue from metal sales was slightly in excess of mine operating and marketing costs but after depreciation, amortization, taxes on income and interest charges there was a loss of \$920,000.

Production during the first quarter of 1976 was lower than originally planned because of caving in the ore pass system between the 800 and 1600-foot levels. Mining was confined to the lower mine levels until the new ore pass system was completed in March 1976.

Development and Ore Reserves

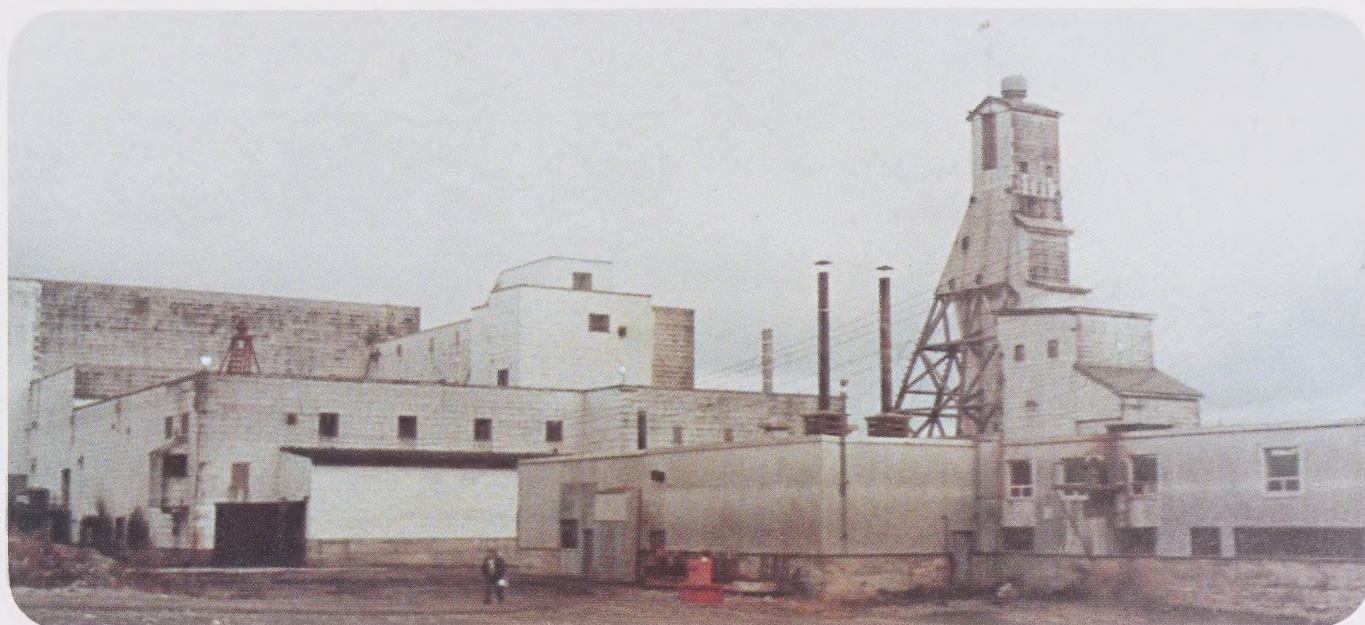
At the Copper Rand mine the principal development has been in the Hanging Wall Zone area, between the 1950 and 2700-foot levels, where ore with a higher than average gold content is being developed. An ore pass system is to be installed in this area and the 2700-foot level is being developed as a main haulage level, using more efficient electric locomotives.

So that ore reserves can be maintained in a healthy position a decision was taken to deepen the Portage shaft a further 960 feet to 3,816 feet. This work can be done most rapidly when there is no interference from other mining operations.

Production Statistics

	1975			1974		
Copper (lbs)	13,814,000			25,244,000		
Gold (ozs)	20,000			31,000		
Silver (ozs)	74,000			123,000		
	Short Tons Milled	% Cu	Oz Au	Short Tons Milled	% Cu	Oz Au
Copper Rand	440,000	1.67	0.057	443,000	1.78	0.058
Portage	—	—	—	254,000	1.45	0.038
Copper Cliff	—	—	—	132,000	1.02	0.015
Jaculet	—	—	—	14,000	1.49	0.023
Other	—	—	—	16,000	1.70	0.027
	440,000	1.67	0.057	859,000	1.56	0.044

Copper Rand headframe and milling plant.



Ore Reserves

	31st December 1975			31st December 1974		
	Short Tons	% Cu	Oz Au	Short Tons	% Cu	Oz Au
Copper Rand to 2,850 feet	4,440,000	1.86	0.059	4,489,000	1.87	0.046
Portage to 2,550 feet	1,553,000	1.42	0.050	1,553,000	1.42	0.050
Copper Cliff	—	—	—	62,000	1.00	0.025
Jaculet to 1,200 feet	135,000	1.70	0.025	135,000	1.70	0.025
Kerr Addison-Patiño to 1,170 feet	111,000	1.80	0.025	111,000	1.80	0.025
	6,239,000	1.74	0.055	6,350,000	1.74	0.046

Ore reserves decreased about 110,000 tons, partly resulting from the deletion of marginal ore, and after milling 440,000 tons during the year.

Since operations began in 1960, 11,702,000 tons of ore have been milled.

Ore reserves throughout this period have averaged between 3,000,000 and 6,350,000 short tons. However, the average copper grade has declined from 2.75% to 1.74%.

lemoine mines limited

Surface plant at Lemoine mine.



Sinking of the shaft to 1,090 feet and 4,500 feet of development work, 1,800 feet of which was in ore, were completed to prepare the ore zone for mining. Initial mining will be carried out on the 920 and 770-foot levels while at the same time development of the ore zone will proceed on other levels. The development completed to date confirms the ore grades and widths encountered in the surface diamond drilling.

Construction of the concentrating plant of about 400 tons daily capacity and other surface facilities was largely completed before year end and operation of the crushing and concentrating plant on a tune-up basis commenced in mid-November. Minor start-up problems with the equipment and installations required numerous stoppages of the plant and contributed to the poor initial metallurgical performances. Also, considerable difficulty was first experienced in producing copper and zinc concentrates with grades as indicated by the metallurgical test work carried out at Lakefield Research Laboratories. The plant is now operating at planned capacity with metallurgical efficiencies close to those indicated at Lakefield. By year end 6,900 tons of ore grading 4.15 % copper, 10.07 % zinc, 0.144 ounces gold and 2.84 ounces silver were treated to produce:

	Tons	% Cu	% Zn	Oz Au	Oz Ag
Copper concentrates	1,000	24.16	9.59	0.43	11.33
Zinc concentrates	1,100	1.97	48.37	0.29	2.99

Copper concentrates estimated to contain 421,000 pounds of copper, 400 ounces gold and 11,000 ounces silver have been shipped for smelting, while the zinc concentrates are being stockpiled for shipment to a European smelter.

Ore reserves, after providing for 15% dilution, remain unchanged from those reported last year, namely:

Tons	% Cu	% Zn	Oz Au	Oz Ag
625,000	4.5	10.8	0.138	2.70

Further geophysical surveys and exploratory drilling were carried out to investigate several previously indicated geophysical anomalies along strike in the favourable volcanic horizon but no significant results were obtained.

Expenditures on plant and mine development, to start up on 1st March 1976 were \$8.6 million, net of development ore revenue to that date.

amalgamated metal corporation limited

Precision jig grinding for the manufacture of tungsten carbide press tools used for the high speed production of electrical steel laminations - Geo. L. Scott & Co. Limited, Ellesmere Port.

Under the terms of a Scheme of Arrangement effective 25th July 1975, AMC was merged with its parent, Consolidated Tin Smelters Limited. CTS is now a wholly-owned subsidiary of AMC which in turn is a direct 51.4% subsidiary of the Company.

Financial

It was stated last year that 1974 had been a quite exceptional year for profits and that AMC did not expect to achieve in 1975 the same level of earnings. In the light of world economic conditions, this group's profits before taxation of £5.7 million (\$12.7 million) against £12.1 million (\$27.9 million) and net profit of £3.8 million (\$8.4 million) compared with the adjusted figure for 1974 of £4.8 million (\$11.1 million) is satisfactory.

Trading Activities

Metal prices at the start of the year were well below the peaks established in 1974 and, with the exception of the United States of America, little recovery has yet been seen. The continuing high level of inflation has eroded profit margins of both producers and consumers. These two factors combined with the depressed level of industrial activity throughout the world in 1975 have meant that physical trading has been at substantially reduced margins leading to lower profitability. Amalgamated Metal Trading Limited, a wholly-owned subsidiary, has operated successfully on the London Metal Exchange despite the quiet market conditions. We have maintained our trading position, expanded our brokerage business and insured that our organization is well prepared to take advantage of any recovery activity.

Aluminium Bahrain

The group's 17% interest in Aluminium Bahrain was sold in January 1976 to the Bahrain Government. The transaction will result in a net surplus of £400,000 (\$800,000) after taking into consideration the provision of £1,500,000 (\$3.1 million) recorded in the 1974 accounts. The sale also relieves the Group of contingent liabilities in the amount of £5 million (\$10.3 million) relating to guarantees of Alba borrowings.



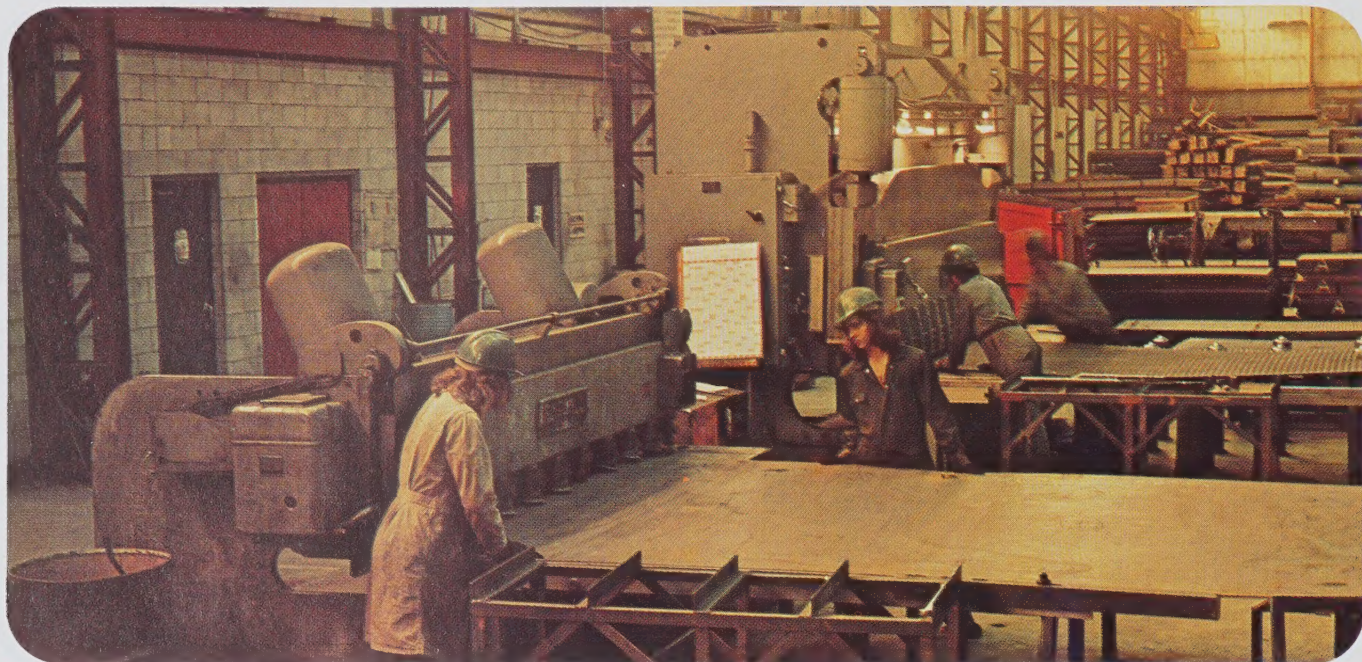
Tin Smelting

The tin smelters in Malaysia, Nigeria and Australia operated efficiently and made valuable contributions to group results. Williams, Harvey & Co. Limited (in liquidation) has completed conversion of its remaining inventory of intermediates to tin metal and has continued the treatment of its tin-bearing slags. All creditors have been paid and the substantial funds being generated by these activities represent a most important contribution to group profits.

Industrial Activities

The steel service centres in the United Kingdom and Canada have reported sharply lower earnings due to the materially reduced level of economic activity. The steel industry, particularly in the United Kingdom is in a state of considerable over-production and prices remain weak with improvement dependent on the speed of economic recovery. The other United Kingdom industrial companies have similarly suffered but are well placed to improve their performance when conditions are more favourable.

Sheet steel being cut by hydraulic shears—Debro Industries Limited, Canada.



Investments

The major group investment remains the 20% interest in Norddeutsche Affinerie which operates in Hamburg the largest copper-smelter refinery complex in Europe. Higher dividend income was received from this source in 1975. It should be noted that Norddeutsche Affinerie itself owns 14.16% of the equity capital in AMC.

Outlook

1976 has started slowly but the indications of recovery which are already apparent in some areas of the world should spread to produce an improving industrial and trading climate. This should be reflected in AMC's results during the latter part of the year.

brazil

During 1975 Companhia Estanífera do Brasil (Cesbra) processed cassiterite (tin ore) from Bolivia and domestic sources. As a result of improvements in its smelter in Volta Redonda, Cesbra produced 3,600 tons of tin in 1975 (3,000 tons in 1974). Its tin ingot exports reached an all-time high of 2,200 tons (1,600 tons in 1974) valued at \$15 million.

Introduction in December of mandatory 100% 360-day prior deposits on all imports will, unless an exemption can be obtained, effectively prohibit the importation of cassiterite from Bolivia in 1976, thus reducing the throughput of the smelter, the export of tin and profitability.

In 1975 Cofremmi sold two-thirds of its 30% interest in Minas del Rey Dom Pedro, S.A. to Goldfields Mining Development Limited, South Africa, and at the same time granted it an option to purchase the remaining shares before 31st October 1976.

Mineração Brasiliense, S.A. (Mibrasa), owned 50% by Cesbra, operated tin dredges in the Santa Bárbara area in the state of Rondonia throughout most of 1975. In December one of the dredges was moved to the Candeias deposit about 100 miles away. It is expected that the aggregate

production of tin in concentrates from both locations in 1976 will double to about 70 tons a month.

Cesbra has entered into a joint venture agreement with Promisa (Brascan Group) for the exploration of its Bom Futuro tin property (90% owned), where reserves of about a million tons of residual tin ore have been indicated by previous exploration.

Dragagem Fluvial, a company, jointly owned by Cesbra and Mineração Hanna do Brasil Ltda. has been conducting exploration along the Jequitinhonha River in the State of Minas Gerais for alluvial diamonds and gold. The results of the work to date indicate that a commercial operation might be possible and consideration is being given to testing a section of the river with a small dredge to determine whether a larger scale operation is justified.

It is expected that 1976 will continue to reflect a lessening of the high rate of growth experienced by Brazil over the past ten years, partly as a result of worldwide conditions and partly due to measures taken by Brazil to reduce the rate of inflation and the large deficit in its trade balance.

Despite increased smelter throughput, the Brazilian operations lost \$528,000 in 1975.



Bucket dredge operating at Candeias deposit

rio tinto patiño, s.a.

Ore blasting at Santiago mine.



Lower copper and gold-silver prices (despite forward sales of a portion of the production) and higher operating costs made 1975 substantially less profitable for Rio Tinto Patiño, S.A. (RTP) than the preceding year.

Data is shown below on production from the Cerro Colorado open pit mine in southwestern Spain, the Santiago open pit mine in the northwest and from RTP's custom smelter in Huelva on the Atlantic seacoast.

Cerro Colorado mine	1975	1974
	Metric tons	
Ore treated		
Copper ore	2,956,000	2,769,000
Gold-silver gossan ore	1,510,000	1,241,000
Copper production		
In concentrates	17,800	20,600
In cement copper	1,800	1,100
Gold-silver production		Ozs.
Gold	107,500	89,700
Silver	919,700	763,300

Santiago mine (started up in June 1975)

	Metric tons	
Copper ore treated	714,000	—
Copper production	4,400	—

Huelva smelter	1975	1974
	Metric tons	
Anode copper production		
From concentrates and cement copper	55,300	47,900
From scrap and secondary products	52,500	45,300
	<u>107,800</u>	<u>93,200</u>
Sulphuric acid	173,400	160,000
Electrolytic copper	80,400	73,400

Copper output at Cerro Colorado was below planned level because less secondary ore and lower grade primary ore were treated. On the other hand, increased gold-silver production resulted from the treatment of a higher tonnage of gossan with an improved grade.

Santiago, which began operating in mid 1975, had difficulty in reaching the planned production objectives due to poor ore fragmentation in the mine and faulty liners in the primary ore crusher; these problems have been overcome and the plant is operating at design capacity.

At Huelva the new flash smelter and acid plant were put into operation in September and reached

design capacity very quickly without any serious problems. The Momoda furnaces have been shut down. Capacity of 105,000 metric tons has been achieved in the expanded electrolytic refinery.

Mineral exploration in Spain is being actively pursued. Further testing and study continue of the kaolin (china clay) deposit discovered in northern Spain.

In 1975, Sociedad Española de Construcciones Electro-Mecánicas, S.A., the leading Spanish semi-fabricator – owned 41.65% by RTP – produced 72,300 metric tons of copper and brass and 4,200 metric tons of aluminum. Much lower product demand, higher operating costs and the large expansion program that is in progress contributed to unsatisfactory financial results.

Due to Government restraints, RTP dividends for 1975 to be paid in 1976 are being limited to 10% even though the intention had been to distribute 15%.

The greatly expanded operations of the Huelva complex, with lower operating costs and a probable improvement in the copper prices, should raise RTP's profitability in the coming year.

The US\$8.5 million balance on the original US\$25 million loan to RTP arranged and guaranteed by Patiño, N.V. was fully repaid by the end of 1975. In October, RTP borrowed US\$25 million in the Euro-currency market and Patiño, N.V. guaranteed 40% or US\$10 million. These funds were needed to cover the higher costs of capital projects and increased working capital needs.

Ore reserves as at 31st December 1975 were –

Cerro Colorado

64,000,000 metric tons, 0.64% copper
19,000,000 metric tons of gold-silver
gossan grading 2.3 grams
(0.07 ozs.) gold and 43.95 grams
(1.413 ozs.) silver per ton.

Santiago

18,000,000 metric tons, 0.68% copper.

RTP's consolidated results

		Millions of pesetas (equivalent in Millions of \$)	
		1975	1974
Income before depreciation and amortization, interest and income taxes		1,623 (\$27.6)	2,561 (\$45.2)
Less			
Depreciation and amortization	905 (\$15.4)	584 (\$10.3)	
Interest	386 (\$ 6.6)	402 (\$ 7.1)	
Income taxes	<u>80 (\$ 1.3)</u>	<u>471 (\$ 8.3)</u>	
		<u>1,371 (\$23.2)</u>	<u>1,457 (\$25.7)</u>
Net profit		<u>252 (\$ 4.3)</u>	<u>1,104 (\$19.5)</u>

As noted in the Directors' Report to the Shareholders, the Company sold its 40% interest in RTP to the majority shareholder, Union Explosivos Rio Tinto, S.A., on 27th February 1976.

compagnie française d'entreprises minières, métallurgiques et d'investissements – cofremmi

Mine development of garnierite ore area at Tiebaghi, New Caledonia.



On 29th March 1976 the Company announced that an agreement had been reached with the French Government's wholly-owned agency, Bureau de Recherches Géologiques et Minières, regarding Patiño's nickel mining interests in New Caledonia. The main substance of this agreement has been set out in the Directors' report to the shareholders. The agreement is expected to be finalized on 14th May 1976 but is retroactive to 31st December 1975. Accordingly, the terms of this agreement have been reflected in 1975's financial statements and the New Caledonia assets and liabilities have been deconsolidated.

In July 1975 the French Government determined that the control of the share equity and the management of a garnieritic nickel project in New Caledonia must reside with French nationals. The Company's mining authorization had been withdrawn in March 1975 and a legal procedure to remove our mining concessions and titles was pending because it was contended that the Company had failed to perform in bringing its deposits to commercial production. It is against this background that the negotiations took place and the Company is satisfied that, in the circumstances, the agreement concluded is satisfactory and in the best interests of its shareholders.

Under the terms of its agreement with BRGM, the Company has, amongst others, the following options:

(a) when the financing requirements have been determined, Patiño may elect not to participate. To

the extent that its share of equity called is less than 50 million French francs (US \$11 million), Patiño may convert the deficiency to royalty and profit participation;

(b) if a foreign shareholder is invited to acquire an interest in Cofremmi, Patiño has the right to require that its shareholding and royalty/profit participation be acquired in priority for cash.

Ore reserves

The proved ore reserves for the Tiebaghi and Poupou deposits are:

		Dry metric tons	% Ni + Co
Tiebaghi	Garnierite ore	13,250,000	3.00
	Laterite ore	17,110,000	1.00
Poupou	Garnierite ore	35,000,000	2.30
	Laterite ore	41,000,000	1.34

BRGM will transfer to Cofremmi its Ile Art deposit which is estimated to contain 13 million tons of garnierite ore grading 2.9% nickel plus cobalt.

Outlook

The Company will cooperate closely with BRGM in this important project and there is every reason to believe that it will be launched in a year's time. Given the high level of priority and the support being received from the French Government, the outlook is promising.

metal review

Copper

1975 was a very depressed year for the copper industry. Low metal prices, reduced demand for metals and escalating costs of production combined to produce minimal profits for the industry.

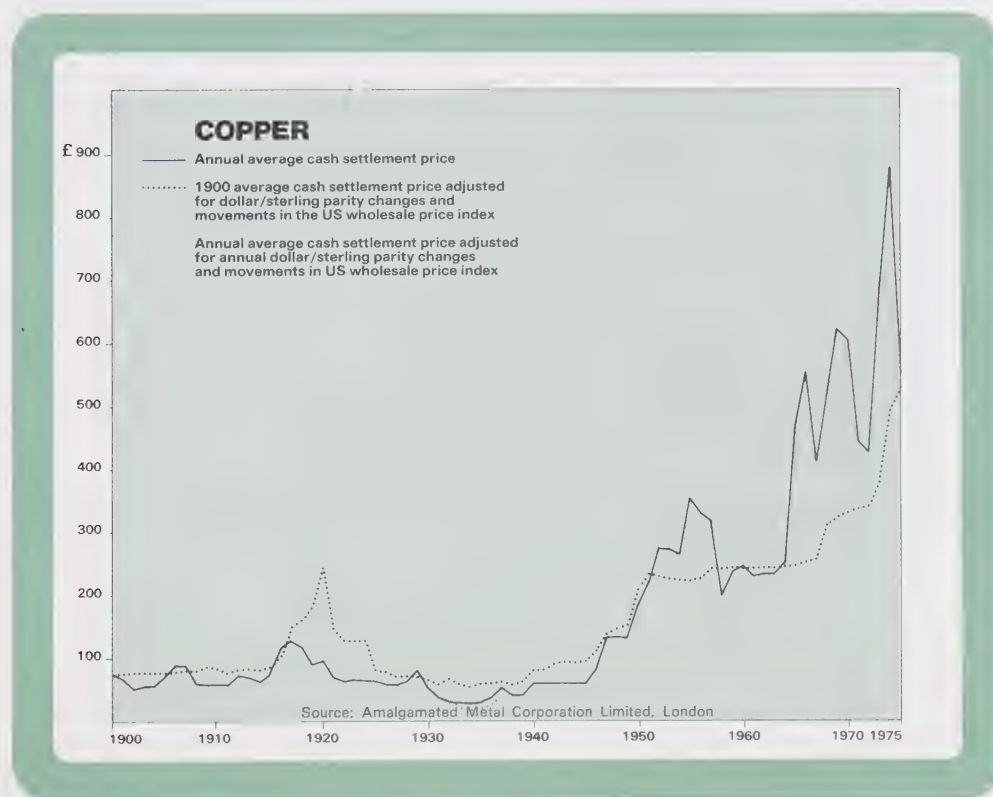
World mine production declined 6.7% to 7.4 million mt, slightly less than the corresponding 1973 world mine production. World refinery production similarly declined almost 6.5% to 8.3 million mt, the difference between refinery and mine production arising largely from the recycling and refining of almost 1 million tons of secondary metal.

Despite measures such as those initiated by CIPEC members in 1974 to extend export cutbacks by 10–15%, the London Metal Exchange stocks of copper quadrupled in 1975, reaching a level of

500,000 mt. Taken together with substantial buildup of stocks in the United States and Japan, the Western World had an apparent surplus during the year of about 940,000 mt of copper.

This surplus resulted despite the continued cutback in production from high cost mines and the worsening situation in Central Africa caused by the war in Angola. This particularly affected Zambia whose major outlet was via the port of Lobito in Angola. Since this situation has deteriorated further in 1976 the prospects for Zambian copper exports appear bleak indeed. Other problems emerged in Papua, New Guinea, where the emergent independent movement has been putting pressure on the central government.

Copper prices have increased sharply to date in 1976 and further increases are expected as the economies of the world recover.

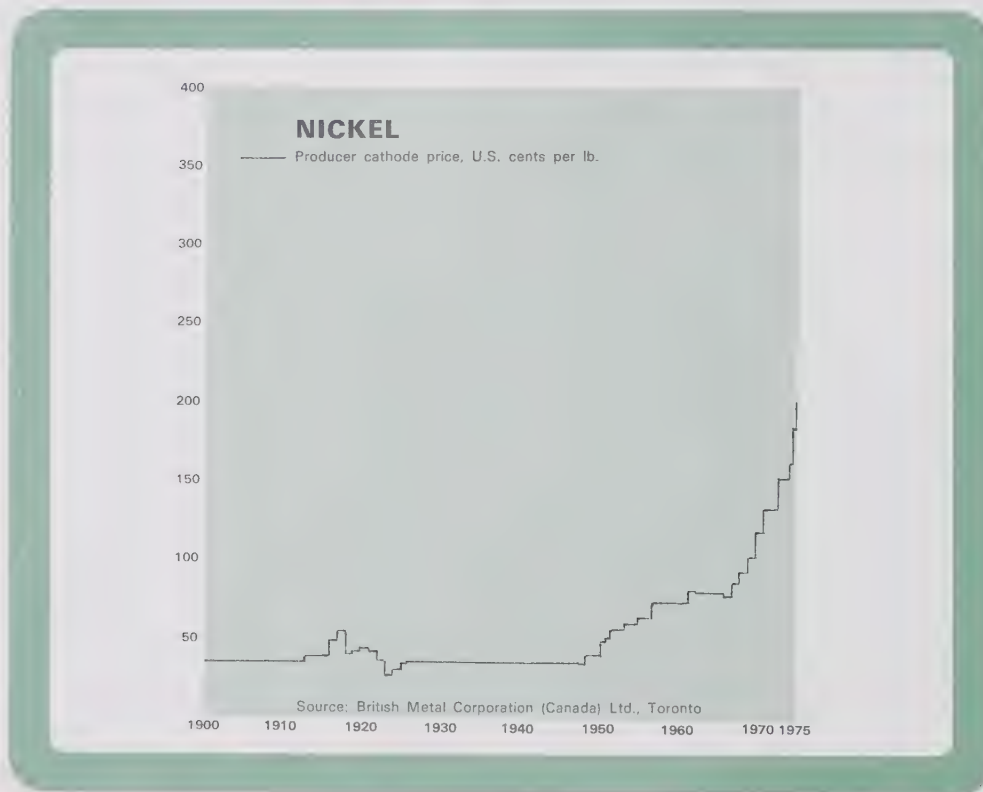


Nickel

The worldwide economic recession in 1975 affected nickel to the same degree as other major non-ferrous and ferrous metals. Free world nickel consumption which amounted to 553,000 mt in 1974 dropped by 25-30%, mainly as a result of the decline in the stainless steel industry. Free world nickel smelter production approximated 489,000 mt and as a result producer inventories were considerably increased.

To counteract the inflation of labour costs Inco and other major international producers increased their prices at the end of August to US\$2.20 per pound. However, special concessions to regular customers insured that the new price only became applicable from 1976. It is anticipated that higher labour costs will cause a further nickel price increase in mid-1976.

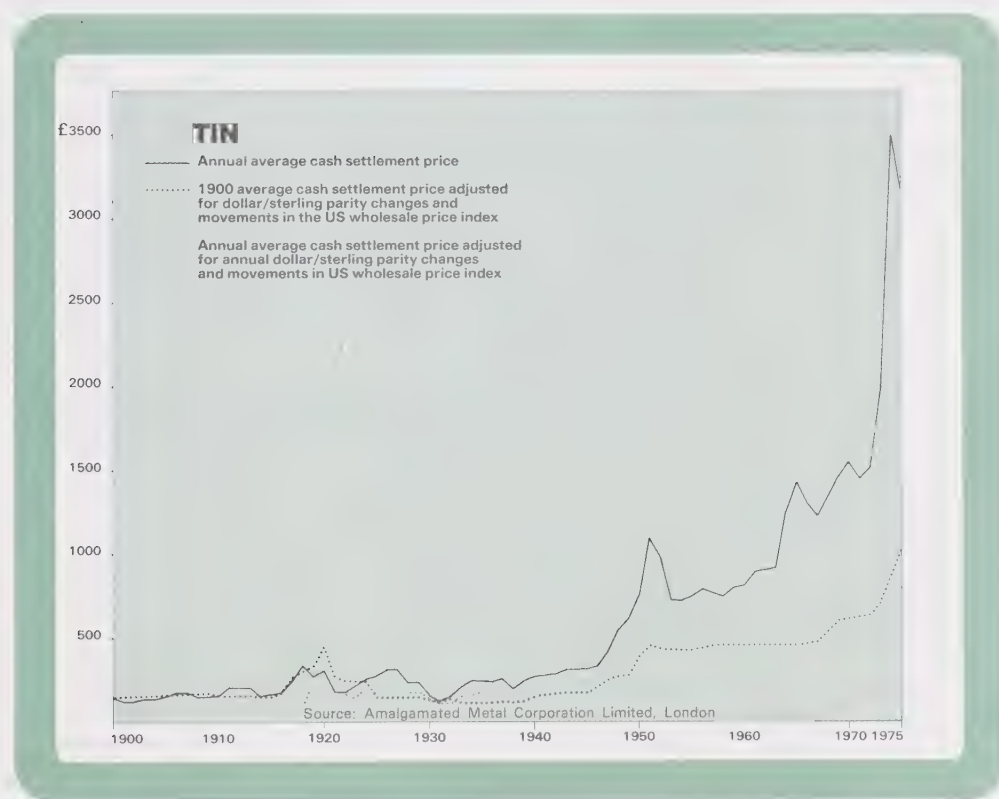
While consumption is expected to show an improvement in 1976, no shortage of supplies is foreseen in the immediate future.



Tin

Production of primary tin in 1975 continued the downward trend of the previous year, falling by 3.2% to 214,000 mt. This was a result largely of the International Tin Council (ITC) quotas and because the low prices and the rising costs forced the closure of marginal producers. This was accompanied by a fall in consumption in the western world of about 8.8% to 217,000 mt. Since imports

from eastern Europe and China also increased during the year the apparent surplus was about 10,000 tons following the large surplus in 1974. As a result of the increase in stocks and fall in demand, prices were in the lower sector of the ITC range and the buffer stock manager was a substantial buyer. Despite the introduction of export quotas in mid-April, the buffer stock increased from 142 tons to nearly 12,000 tons by the end of September.



patiño, n.v. and subsidiaries

Consolidated Balance Sheet

(expressed in thousands of Canadian dollars)

Assets	31st December 1975	31st December 1974
Current Assets		
Cash, term bank deposits	\$ 22,461	\$ 33,979
Marketable securities	365	440
Accounts receivable	95,632	107,372
Inventories	76,278	95,112
Income tax recoverable	957	—
	<u>195,693</u>	<u>236,903</u>
Investments		
Associated companies	23,843	23,676
Other securities	24,628	18,438
	<u>48,471</u>	<u>42,114</u>
Fixed Assets	53,967	52,486
Less: Accumulated depreciation	23,062	23,473
	<u>30,905</u>	<u>29,013</u>
Other Assets		
Mine development and mining property costs	35,563	57,418
Less: Amortization	22,730	22,501
	<u>12,833</u>	<u>34,917</u>
Long term receivables	7,929	150
	<u>20,762</u>	<u>35,067</u>
	<u>\$ 295,831</u>	<u>\$ 343,097</u>

Liabilities	31st December 1975	31st December 1974
Current Liabilities		
Bank advances	\$ 49,968	\$ 54,078
Accounts payable and accruals	79,413	115,518
Income and mining taxes payable	13,259	18,105
Current portion of long term debt	2,211	2,011
	<u>144,851</u>	<u>189,712</u>
Long Term Debt	14,859	14,749
Deferred Income and Mining Taxes	5,078	5,248
Deferred Exchange Rate Fluctuations	1,296	3,951
Minority Interests	<u>38,291</u>	<u>40,433</u>
	204,375	254,093
Shareholders' Equity		
Share Capital		
Authorized 16,000,000 shares, par value		
Dfl. 5 per share <u>Dfl. 80,000,000</u>		
Issued and fully paid: 4,376,000 shares	8,284	8,665
Premium on shares issued	29,398	29,017
Retained earnings	55,664	51,322
	<u>93,346</u>	<u>89,004</u>
Less: 149,400 Company shares purchased, at cost	1,890	—
	<u>91,456</u>	<u>89,004</u>
	<u>\$ 295,831</u>	<u>\$ 343,097</u>

patiño, n.v. and subsidiaries

Consolidated Statement of Income

(expressed in thousands of Canadian dollars)

	Year ended 31st December 1975	Year ended 31st December 1974
Revenue		
Net sales	\$ 1,696,345	\$ 1,766,095
Equity income	2,163	7,605
Other income	5,469	7,353
	<u>1,703,977</u>	<u>1,781,053</u>
Costs and Expenses		
Operating costs	1,677,288	1,720,176
Amortization and depreciation	3,725	3,886
Interest expense - long term	1,391	931
- short term	10,308	10,768
	<u>1,692,712</u>	<u>1,735,761</u>
Income before taxes, minority interests and extraordinary items	<u>11,265</u>	<u>45,292</u>
Taxes on income - current	5,130	16,418
- deferred	(220)	926
	<u>4,910</u>	<u>17,344</u>
Income before minority interests and extraordinary items	<u>6,355</u>	<u>27,948</u>
Minority interests	<u>4,218</u>	<u>9,477</u>
Income before extraordinary items	<u>2,137</u>	<u>18,471</u>
Extraordinary items	<u>3,526</u>	<u>694</u>
Net income	<u>\$ 5,663</u>	<u>\$ 19,165</u>
Earnings per share		
Before extraordinary items	\$ 0.50	\$ 4.22
After extraordinary items	\$ 1.31	\$ 4.38

Consolidated Statement of Retained Earnings

(expressed in thousands of Canadian dollars)

	Year ended 31st December 1975	Year ended 31st December 1974
Balance, beginning of year	\$ 51,322	\$ 38,689
Goodwill arising on investments in subsidiary and associated companies	1,498	(4,782)
Net income	5,663	19,165
Dividends paid	(2,819)	(1,750)
	<u>\$ 55,664</u>	<u>\$ 51,322</u>

patiño, n.v. and subsidiaries

Consolidated Statement of Changes in Financial Position (expressed in thousands of Canadian dollars)

	Year ended 31st December 1975	Year ended 31st December 1974
Financial resources were provided by:		
Income before minority interests and extraordinary items	\$ 6,355	\$ 27,948
Amortization and depreciation	3,725	3,886
Deferred taxes on income	(220)	926
Equity income	(2,163)	(7,605)
	<u>7,697</u>	<u>25,155</u>
Proceeds from disposals of investments	32,922	7,309
Other extraordinary items, before minority interests	—	(2,780)
Proceeds from disposals of fixed assets and mining properties	1,147	725
Increase in long term debt	2,959	5,282
Other items	1,449	704
	<u>46,174</u>	<u>36,395</u>
Financial resources were used for:		
Fixed asset additions	9,725	7,934
Mine development and mining property costs	3,583	5,476
Acquisition of investments and subsidiaries	12,035	4,996
Long term debt repayment	2,551	1,987
Increase in long term receivables	7,921	—
Minority interests	1,999	3,792
Dividends paid	2,819	1,750
Purchase of Company's shares	1,890	—
	<u>42,523</u>	<u>25,935</u>
Increase in working capital	3,651	10,460
Working capital, beginning of year	47,191	36,731
Working capital, end of year	<u>\$ 50,842</u>	<u>\$ 47,191</u>

patino, n.v. and subsidiaries

Analysis of Changes in Working Capital

(expressed in thousands of Canadian dollars)

	Year ended 31st December 1975	Year ended 31st December 1974
Increase (decrease) in current assets		
Cash, term bank deposits	\$ (11,518)	\$ 6,376
Marketable securities	(75)	(588)
Accounts receivable	(11,740)	28,450
Inventories	(18,834)	40,825
Income taxes recoverable	957	—
	<u>(41,210)</u>	<u>75,063</u>
Increase (decrease) in current liabilities		
Bank advances	(4,110)	1,809
Accounts payable and accruals	(36,105)	53,854
Income and mining taxes payable	(4,846)	8,239
Current portion of long term debt	200	701
	<u>(44,861)</u>	<u>64,603</u>
Increase in working capital	<u>\$ 3,651</u>	<u>\$ 10,460</u>

Signed for approval of:

Balance Sheet
 Statement of Income
 Consolidated Balance Sheet
 Consolidated Statement of Income
 Consolidated Statement of Retained Earnings
 Consolidated Statement of Changes in Financial Position
 Analysis of Changes in Working Capital
 Notes to Corporate and Consolidated Financial Statements

D. Azéma
 M. P. Bloemsma
 G. Gutiérrez
 P. M. Haas
 P. J. Keenan
 S. P. Ogryzlo
 G. Ortiz P.
 J. Ortiz-Patiño
 A. Patiño R.
 J. Van der Spek

Balance Sheet

(expressed in thousands of Canadian dollars)

Assets	31st December 1975	31st December 1974
Current Assets		
Cash, term bank deposits	\$ 169	\$ 732
Accounts receivable	11,132	48
	<u>11,301</u>	<u>780</u>
Investments and Advances		
Subsidiaries	49,881	67,705
Associated companies	20,544	21,019
Unquoted securities	11,438	—
Securities having a quoted market value	1,392	1,684
	<u>83,255</u>	<u>90,408</u>
Long Term Receivables	7,921	—
	<u>\$ 102,477</u>	<u>\$ 91,188</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 841	\$ 438
Income taxes payable	181	635
	<u>1,022</u>	<u>1,073</u>
Long Term Debt	7,112	—
Deferred Exchange Rate Fluctuations	2,887	1,111
	<u>11,021</u>	<u>2,184</u>
Shareholders' Equity		
Share Capital		
Authorized 16,000,000 shares, par value		
Dfl. 5 per share Dfl. 80,000,000		
	8,284	8,665
Issued and fully paid: 4,376,000 shares	29,398	29,017
Premium on shares issued	55,664	51,322
Retained earnings	<u>93,346</u>	<u>89,004</u>
	1,890	—
Less: 149,400 Company shares purchased, at cost	<u>91,456</u>	<u>89,004</u>
	<u>\$ 102,477</u>	<u>\$ 91,188</u>

Statement of Income (expressed in thousands of Canadian dollars)

Net income for the year	\$ 5,663	\$ 19,165
-------------------------	----------	-----------

Notes to Corporate and Consolidated Financial Statements

1. Accounting policies

The principal accounting policies followed by Patiño, N.V. and its subsidiaries are summarized hereunder.

Basis of consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in The Netherlands and include the accounts of the Company and its subsidiaries. The statements of income and of changes in financial position include the results of subsidiaries acquired during the year from the date of acquisition and include the results of subsidiaries sold during the year to the date of sale. Associated companies, being those companies in which the Patiño Group has an equity interest of between 20% and 50% and management participation, are stated at the Group's share of their underlying net assets. The difference between the cost of investments in subsidiary and associated companies and Patiño, N.V.'s share of underlying net assets is transferred to consolidated retained earnings at the time of acquisition.

Translation of foreign currencies

The financial statements are expressed in Canadian dollars. Assets and liabilities in other currencies are translated into Canadian dollars at year end rates of exchange. Amounts included in the statements of income and of changes in financial position are translated into Canadian dollars at the exchange rates prevailing at the end of each quarter.

Exchange differences are reflected in the consolidated statement of income under other income, except for those exchange differences relating to investments in associated companies unquoted securities, fixed assets, other assets and long term debt, which are grouped in the balance sheet under the caption, deferred exchange rate fluctuations.

Valuation of marketable securities and inventories

Marketable securities are carried at the lower of cost or market value.

Inventories are generally stated at the lower of cost or net realizable value. However certain metals are carried at market value or forward selling prices and supplies are carried at recent purchase cost.

Depreciation and amortization

Depreciation is provided on fixed assets using the straight line or reducing balance methods at varying rates calculated to write off the assets over their estimated remaining useful lives.

Amortization of mine development and mining property costs for operating properties is provided on the basis of the relationship between production and ore reserves and is calculated to fully offset these costs at the end of the estimated economic lives of the properties.

Exploration

Except in areas currently under development where production is highly probable, exploration expenditures are expensed as incurred.

Taxation

The Company follows the tax allocation basis of accounting with respect to all timing differences between reported income before taxes and taxable income.

Provision is made for dividend withholding taxes arising upon anticipated dividend distributions out of the Patiño Group's share of the undistributed earnings of subsidiary and associated companies.

Earnings per share

The calculation of earnings per share is based on the average number of shares outstanding (excluding shares held by a subsidiary company) during the year. The earnings per share would not be materially diluted if all the outstanding options were to be exercised.

2. Marketable securities

	31st December	
	1975	1974
	(thousands)	
Cost	\$ 365	\$ 440
Market value	\$ 365	\$ 440

3. Inventories

	31st December	
	1975	1974
	(thousands)	
Metals, finished and in process	\$ 62,736	\$ 81,940
Supplies	1,783	3,089
Other	11,759	10,083
	\$ 76,278	\$ 95,112

4. Associated companies

Investments in associated companies include the Company's 40% equity interest in Rio Tinto Patiño, S.A. of \$20,544,000 (1974-\$21,019,000), the Company's interests in Brazil of \$1,920,000 (1974-\$1,229,000) and the AMC group's equity interests in companies in Australia and the United Kingdom.

5. Other securities

	31st December 1975		31st December 1974	
	Net Book Value	Market Value	Net Book Value	Market Value
	(thousands)		(thousands)	
Quoted, at cost less amounts written off	\$ 9,221	\$ 9,662	\$ 13,251	\$ 7,740
Unquoted, at cost less amount written off	15,407	27,954*	5,187	17,847*
	<u>\$ 24,628</u>	<u>\$ 37,616</u>	<u>\$ 18,438</u>	<u>\$ 25,587</u>

* Includes \$16,458,000 (1974-\$17,847,000) for valuation by Directors of a subsidiary company

6. Fixed assets

	31st December 1975		31st December 1974	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	(thousands)		(thousands)	
Freehold land and buildings	\$ 12,667	\$ 1,429	\$ 14,300	\$ 2,081
Leasehold land and buildings	2,793	516	2,275	188
Plant, machinery and equipment	17,171	9,415	17,877	9,780
Mine buildings and equipment	21,336	11,702	18,034	11,424
	<u>\$ 53,967</u>	<u>\$ 23,062</u>	<u>\$ 52,486</u>	<u>\$ 23,473</u>

7. Assets pledged to secure borrowings

Bank advances amounting to \$19,518,000 (1974-\$18,877,000) and accounts payable of \$2,100,000 (1974-\$6,970,000) of certain subsidiaries are secured by assets of these subsidiaries. Unused bank borrowing facilities are available for which certain investments, and accounts receivable have been assigned as security.

8. Long term debt

Long term debt represents:

	31st December	
	1975	1974
	(thousands)	
(a) 7 1/8% serial debentures issued by a subsidiary, Patiño Mines (Quebec) Limited, maturing serially in increasing amounts from \$1,660,000 in 1977 to the final payment of \$1,930,000 in 1979. The debentures are secured by a first floating charge on the subsidiary company's assets and are guaranteed by the Company.	\$ 5,380	\$ 6,920
(b) Bank loan contracted by Cofremmi (transferred to the Company under the agreement described in Note 19), bearing interest at 1% above London Interbank Borrowing Rate and repayable in ten equal annual instalments commencing in 1979. The loan is secured by the investments in Brazil.	7,112	4,879
(c) Secured bank loans made to AMC group companies.	2,113	1,896
(d) Unsecured long term loans.	254	760
(e) Guaranteed bank loan made to Cofremmi's subsidiary, Granical, bearing interest at 11% p.a. and repayable in three equal annual instalments commencing in 1977.	—	294
	<u>\$ 14,859</u>	<u>\$ 14,749</u>

9. Contingent liabilities

The company has guaranteed US\$10 million of a bank loan of US\$25 million made to Rio Tinto Patiño, S.A. (RTP).

The loan is repayable in six equal semi-annual instalments commencing in April 1978. In addition, the Company has guaranteed RTP loans made to purchase equipment-totalling US \$552,000 (1974-US \$738,000).

A subsidiary company has contingent liabilities at 31st December 1975 amounting to \$12,600,000 (1974-\$13,900,000).

10. Income taxes

A Canadian subsidiary company has received an amended notice of reassessment for the 1970 taxation year. Reassessments were also received for the taxation years 1971 and 1972. These reassessments reduced the additional tax liability of the Group from \$1,400,000 as assessed in 1973 to \$400,000. The principal issue is the treatment of certain expenditures in the calculation of tax-exempt income from the new mine during the three year period commencing July 1970.

Notices of objection have been filed against these reassessments and management and its tax-consultants are of the opinion that sufficient provision has been made in these financial statements for the ultimate tax liability.

11. Shareholders' equity

	Share Capital	Share Premium
	(thousands)	
Balance, 31st December 1974	\$ 8,665	\$ 29,017
Adjustment to restate the issued share capital translated at year end rates of exchange	(381)	381
Balance, 31st December 1975	<u>\$ 8,284</u>	<u>\$ 29,398</u>

Options to purchase 35,000 shares at \$25.00 per share are exercisable up to 31st December 1978.

By resolutions dated 26th February and 29th October 1975 the Directors authorized purchases to a total of \$2,250,000 of the Company's shares through the stock markets.

At 31st December 1975 149,400 shares have been purchased at a total cost of \$1,890,000. The shares are being held by a wholly-owned subsidiary.

12. Net sales

	1975	1974
	(thousands)	
Merchanting in metals, ores, etc.	\$ 1,284,880	\$ 1,272,355
Tin smelting	310,783	342,353
Steel merchanting and fabricating	42,448	65,574
Sales of mineral production	10,742	28,731
Other activities	<u>47,492</u>	<u>57,082</u>
	<u>\$ 1,696,345</u>	<u>\$ 1,766,095</u>

13. Other income

	1975	1974
	(thousands)	
Interest income	\$ 2,936	\$ 4,065
Income from investments	2,595	2,180
Gains on sales of marketable securities	—	304
Exchange gains (losses), net	(62)	804
	<u>\$ 5,469</u>	<u>\$ 7,353</u>

14. Amortization and depreciation

	1975	1974
	(thousands)	
Amortization of mine development and mining property costs	\$ 943	\$ 1,486
Depreciation	2,782	2,400
	<u>\$ 3,725</u>	<u>\$ 3,886</u>

15. Remuneration of Directors and senior officers of Patiño, N.V.

There were ten Directors who received in 1975 total direct remuneration of \$ 485,000.

Directors and senior officers of the Company as defined by the Ontario Securities Act, received in 1975 total direct remuneration of \$ 552,000.

16. Extraordinary items

	1975	1974
	(thousands)	
Gains on sales of investments and subsidiaries	\$ 4,555	\$ 3,383
Provision for loss on sale of other securities	(1,029)	(1,618)
Writedown of carrying value of investments in associated companies in Brazil	—	(1,500)
Proceeds from a subsidiary in liquidation	—	1,244
Provision for decline in carrying value of assets of a subsidiary, Granical	—	(700)
Loss on deconsolidation of a subsidiary	—	(115)
	<u>\$ 3,526</u>	<u>\$ 694</u>

Amounts are reported net of applicable taxation and minority interests.

In accordance with an agreement dated 20th June 1974, the Company sold its interest in Lytton Minerals Limited. The Company received on 2nd April 1976 \$2,052,000, representing the balance of the purchase consideration, after certain mining titles in Mexico had been registered. This amount is shown as a gain on sale of investments in 1975.

Gains on sales of investments include \$1,436,000, relating to the sale by Cofremmi of two-thirds of its 30% investment in Minas D'el Rey Dom Pedro. Cofremmi has granted to the buyer an option expiring 31st October 1976 to acquire the remaining 10%.

17. Goodwill arising on investments in subsidiary and associated companies.

	1975	1974
	(thousands)	
United Kingdom subsidiaries	\$ 110	\$ 1,074
Spanish associated companies	(98)	(1,903)
Brazilian subsidiaries	1,486	(3,953)
	<u>\$ 1,498</u>	<u>\$ (4,782)</u>

18. Appropriation of profit

In accordance with article 15 of the Company's statutes the Directors declared interim dividends for the year ended 31st December 1975 totalling \$ 0.65 per share. The Directors do not propose any further dividend for the year ended 31st December 1975.

19. Subsequent events

On 29th March 1976, the Company entered into an agreement with the French Government's agency BRGM, whereby it would sell to BRGM 90% of its interest in Cofremmi. The agreement stipulates that the Company will receive in 1976 US \$9 million in cash and will further receive US \$7.8 million in royalties and profit participation after the New Caledonia nickel project has been brought into production. The Company will obtain a fully paid 10% equity interest in Cofremmi amounting to 50 million French francs (US \$11.35 million) and will take direct ownership of Cofremmi's Brazilian investments. The agreement is expected to be finalized on 14th May 1976, but is retroactive to 31st December 1975. Accordingly, the terms of this agreement have been reflected in 1975's financial statements and the New Caledonia assets and liabilities have been deconsolidated.

On 27th February 1976 the Company agreed to sell its 40% interest in Rio Tinto Patiño, S.A. to Union Explosivos Rio Tinto, S.A. for a cash payment of US \$32.8 million. As a result an extraordinary profit of US \$12 million will be taken into income in 1976. The Company will be released from guarantees relating to its investment in RTP aggregating US \$10,552,000 at 31st December 1975 as referred to in Note 9.

By agreement dated 27th January 1976, AMC sold its 17% equity interest in Aluminium Bahrain (Alba). This transaction will produce a profit of approximately \$400,000, net of applicable minority interests, which will be taken into 1976 income. AMC will be released from guarantees relating to Alba which amounted to \$10,300,000 at the end of 1975, thereby reducing the contingent liabilities also referred to in Note 9 from \$12,600,000 to \$2,300,000.

Auditor's Report

We have examined the financial statements set out on pages 16 to 25 inclusive of Patiño, N.V. The financial statements of certain subsidiaries were examined by other auditors whose reports thereon were furnished to us.

As explained in note 19, the financial statements have been prepared after giving effect to the terms of the agreement, expected to be finalized on 14th May 1976, for the recovery of the Company's expenditures of some \$28 million relating to the New Caledonia mining project.

Based on our examination and the work of other auditors, we are of the opinion that, subject to the completion of the negotiations referred to in the preceding paragraph, the accompanying financial statements present fairly the amount and composition of the equity of the Company at 31st December 1975, and of the results for the year then ended.

The Hague
21st April 1976.

Price Waterhouse & Co.*

* Signatory authorized under section 42a of the Commercial Code of the Netherlands.

five year consolidated summary

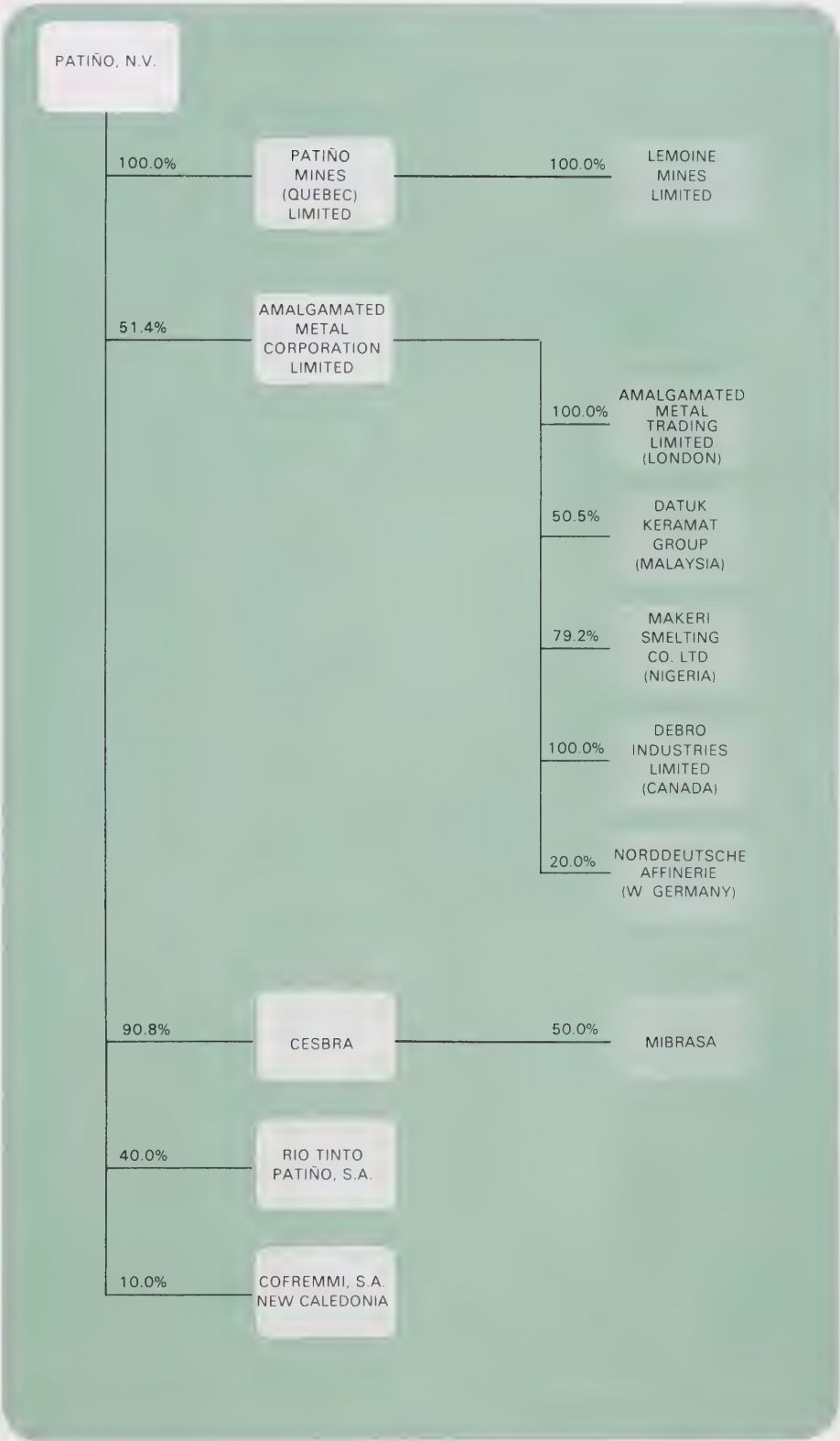
(expressed in thousands of Canadian dollars)

For the year	1975	1974	1973	1972	1971
Revenue					
Merchanting in metals, ores, etc.	\$1,284,880	\$ 1,272,355	\$ 713,790	\$ 410,308	\$ 609,524
Tin smelting	310,783	342,300	155,028	131,685	204,819
Steel merchanting and fabricating	42,448	65,574	46,200	25,685	7,256
Sales of mineral production	13,149	36,389	26,821	18,895	20,487
Other activities	52,717	64,435	23,231	34,590	10,123
Total	<u>\$1,703,977</u>	<u>\$1,781,053</u>	<u>\$ 965,070</u>	<u>\$ 621,163</u>	<u>\$ 852,209</u>
Income before taxes, minority interests and extraordinary items					
Merchanting in metals, ores, etc.	\$ 2,243	\$ 13,110	\$ 2,789	\$ (591)	\$ (3,823)
Tin smelting	6,323	6,629	4,056	3,535	(505)
Steel merchanting and fabricating	(419)	4,368	3,534	843	588
Sales of mineral production	862	15,928	9,009	1,491	2,486
Other activities	2,256	5,257	3,244	7,377	2,624
	<u>11,265</u>	<u>45,292</u>	<u>22,632</u>	<u>12,655</u>	<u>1,370</u>
Taxes on income	4,910	17,344	8,035	4,067	4,227
Minority interests	4,218	9,477	5,233	5,203	(253)
Income before extraordinary items	2,137	18,471	9,364	3,385	(2,604)
Extraordinary items	3,526	694	90	(6,357)	5,022
Net income (loss)	5,663	19,165	9,454	(2,972)	2,418
per share	* 1.31	4.38	2.16	(0.68)	0.55
Dividends paid	2,819	1,750	—	—	1,090
per share	0.65	0.40	—	—	0.25
At the year end					
Working capital	50,842	47,191	36,731	25,601	26,124
Investments	48,471	42,114	45,070	50,115	47,302
Fixed assets, net	30,905	29,013	21,921	19,363	26,748
Other assets	20,762	35,067	30,386	28,100	31,084
Long term debt	14,859	14,749	11,441	12,572	10,870
Deferrals	6,374	9,199	7,930	4,179	3,918
Minority interests	38,291	40,433	38,366	40,632	48,423
Shareholders' equity at book value	<u>\$ 91,456</u>	<u>\$ 89,004</u>	<u>\$ 76,371</u>	<u>\$ 65,796</u>	<u>\$ 68,047</u>
per share	<u>21.64</u>	<u>20.34</u>	<u>17.45</u>	<u>15.05</u>	<u>15.58</u>
Shares issued at end of year	<u>4,376,000</u>	<u>4,376,000</u>	<u>4,376,000</u>	<u>4,371,500</u>	<u>4,367,000</u>
Shares acquired of own issue	<u>149,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

* Based on the average of the number of shares issued during the year, less shares acquired by the Company and/or a wholly-owned subsidiary of the Company.

The above summary does not include any increases in the value of the Group's ore reserves, development projects or holdings in land and buildings.

group structure



Patiño Mines (Quebec) Limited

7 King Street East
Suite 1401
Toronto, Ontario
Canada M5C 1A6
Telephone 366-1685
Telex 6219601

Amalgamated Metal Corp. Ltd.

2 Metal Exchange Buildings
Leadenhall Avenue
London EC3V 1LD
England
Telephone 626-4521
Telex 888701

Cia. Estanífera do Brasil (Cesbra)

Rua do Carmo 43
Rio de Janeiro
Brazil
Telephone 244-6565
Telex 2121281

Rio Tinto Patiño, S.A.

Zurbano 76
Madrid 3, Spain
Telephone 253-8400
Telex 22447

The above Group Structure reflects the changes in corporate shareholdings which resulted from the BRGM agreement but does not give effect to the disposal of RTP which occurred on 27th February 1976.

Patiño Mines (Quebec) Limited

Directors and Officers

G. Gutiérrez, *Chairman of the Board, Director*
S.P. Ogryzlo, *President and Chief Executive Officer, Director*
L.Y. Fortier, *Director*
P.J. Keenan, C.A., *Director*
J. Ortiz-Patiño, *Director*
S.H. Robinson, *Director*

H.E. Rudd, *Vice-President – Operations*
D.H. Mather, *Secretary-Treasurer*
F. Walkingshaw, C.A., *Controller and Assistant Secretary*

Lemoine Mines Limited

Directors and Officers

G. Gutiérrez, *Chairman of the Board, Director*
S.P. Ogryzlo, *President and Chief Executive Officer, Director*
L.Y. Fortier, *Director*
P.J. Keenan, C.A., *Director*
J. Ortiz-Patiño, *Director*
S.H. Robinson, *Director*

C.M. Marshall, *Vice-President*
D.H. Mather, *Secretary-Treasurer*
F. Walkingshaw, C.A., *Controller and Assistant Secretary*

Amalgamated Metal Corporation Limited

Directors and Officers

A. Patiño R., *Honorary President, Director*
J.D. Robbins, O.B.E., T.D., *Chairman, Director*
J. Ortiz-Patiño, *Deputy Chairman, Director*
P.A. Neuman, *Chief Executive, Director*
A.A. Curran, *Director*
M.F. Garner, F.C.A., *Director*
W. Gleich, *Director*
P. Hofmeister, *Director*
P.J. Keenan, C.A., *Director*
D.R. Mitchell, *Director*
G. Ortiz P., *Director*
Sir John Saunders, C.B.E., D.S.O., M.C., *Director*
A.D. Stirling, C.A., *Finance Director*
A.M.R. Sylvester, *Director*

P.J. Norton, F.C.I.S., *Secretary*
R.H.H. Newman, *Treasurer*

Cofremmi

Directors and Officers

M. de Beauvau-Craon, *President and Managing Director*
D. Azéma, *Director*
B. de Boisgelin, *Director*
P.J. Keenan, C.A., *Director*
R. Michel, *General Manager, Director*
A. Patiño R., *Director*

PATÍÑO, N.V.

Handwritten initials

Interim Report
6 Months Ended June 30, 1975

Patiño, N.V. and Subsidiaries

Consolidated Statement of Income

(expressed in thousands of Canadian dollars)

Audited for year		Unaudited Six months to 30th June	
		1975	1974 restated
1974			
	Revenue		
\$1,766,095	Net sales	\$761,883	\$690,655
7,605	Share in net income of associated companies	1,062	5,281
7,353	Other income	4,674	2,726
1,781,053		767,619	698,662
	Costs and Expenses		
1,720,176	Operating costs	764,800	804,121
3,886	Amortization and depreciation	1,571	2,735
931	Interest expense — long term	651	885
10,768	— short term	3,306	3,675
1,735,761		60,334	8,016
	Income before taxes, minority interests and extraordinary items		
45,292		7,285	24,840
16,418	Provision for taxes — current	2,400	4,800
926	— deferred	1,002	1,944
17,344		1,161	6,744
	Income before minority interests and extraordinary items		
27,948		4,124	18,084
5,477	Minority interests	2,891	1,344
	Income before extraordinary items		
18,471		1,233	16,740
632	Extraordinary items	71	2,112
19,103	Net income	1,162	18,852
	Earnings per share		
14.00	Before extraordinary items	16.40	16.81
14.38	After extraordinary items	16.40	16.81

Consolidated Statement of Changes in Financial Position

limited

Funds Provided

Funds Utilized

Financial Highlights

	30th June	
	1975	1974
Income before extraordinary items	\$ 1,733,000	\$ 12,734,000
per share	\$0.40	\$2.91
Net income	1,784,000	16,236,000
per share	\$0.41	\$3.71
Cash flow from operations	5,489,000	15,221,000
per share	\$1.25	\$3.48
Working capital	46,147,000	50,470,000
Shareholders' equity, at book value	88,666,000	92,607,000
per share	\$20.26	\$11.16

The current year's net income has been depressed by the continuing weakness in metal prices increased costs due to inflation and the strike at the Canadian mining operations, the main impact of which has been absorbed in the results of the second quarter. There is no sign of an improvement in the short term outlook at this time.

Amalgamated Metal Corporation Limited

Consolidated Tin Smelters Limited and Amalgamated Metal Corporation Limited (AMC) have been merged. Patiño, N.V. controls the combined company with an interest of 50.2%. The financial results for the six months to 30th June 1975 reflect the new corporate organization.

The AMC group's contribution to profit for the first six months of 1975 was lower than the record achieved in 1974. This is attributable to the decline in the level of trading and profit margins caused by the slow down in industrial activity which has now been in progress for some months. Bearing in mind these conditions, this group's profit is reasonably satisfactory.

Cofremmi

Active contact with the Peruvian Government is being maintained and we remain confident that a solution satisfactory to the Peruvian Government and the Company will be achieved.

Lemoine Mines Limited

Sinking of the shaft to 1,091 feet has been completed and development work has concentrated on lower level.

Construction of the 1,000-ton concentrator and auxiliary facilities is progressing and production is anticipated for the last quarter of the year.

Patiño Mines (Quebec) Limited

Since the resumption of operations following the strike which ended in April, mining has been restricted to the Copper Rand mine with emphasis being placed on the mining of areas with a higher than average gold content and lower than average copper content. Production for the period was at a greatly reduced rate and the company operated at a loss. It is expected that in the second half of the year performance and costs will improve and a small profit result.

Production for the six month period was

	1975	1974
Copper — pounds	4,161,000	15,273,000
Gold — ounces	5,600	19,200
Silver — ounces	22,000	76,500
Ore milled — short tons	137,000	513,000
Grade of ore milled — copper	1.59%	1.54%
gold	0.053 ozs.	0.037 ozs.

Rio Tinto Patiño, S.A.

The company's copper operations have been much less profitable in the second quarter than in the comparable 1974 period due principally to lower copper prices. Gold and silver operations at Cerro Colorado have been satisfactory. The new flash furnace smelter and acid plant in Huelva will start up in September and the electrolytic refinery has enlarged its capacity to 105,000 MT per annum. The wholly-owned Santiago open-pit copper mine began production in May. Ore grade and recoveries are up to expectation and mill performance is being steadily improved.

On behalf of the Board of Directors

A handwritten signature in dark ink, appearing to be 'M. Patiño', written in a cursive style.

President and Chief Executive
The Hague, 27th August 1975

Rio Tinto Patiño, S.A.

La production de cuivre de la société a été beaucoup moins profitable pour le second trimestre que pour le même trimestre en 1974, principalement à cause de la diminution des prix du cuivre. La production d'or et d'argent a été satisfaisante à la mine de Cerro Colorado. A Huelva, la nouvelle fonderie exploitant le procédé de fusion flash et la nouvelle usine d'acide sulfurique démarreront en septembre; d'autre part la raffinerie électrolytique a porté sa capacité à 105.000 tonnes métriques par an. La mine de cuivre à ciel ouvert de Santiago, détenue en toute propriété a commencé la production en mai. La teneur du minerai et celle des récupérations répondent à ce que l'on en attendait et les performances de l'usine s'améliorent de façon continue

Pour le conseil d'administration



Président Directeur Général
La Haya, le 27 août 1975

Cotremmi

Nous restons en contact étroit avec le Gouvernement Français et nous sommes certains qu'une solution satisfaisant à la fois le Gouvernement Français et la Société sera atteinte.

Mines Lemoine Limitée

Le forage du puits à une profondeur de 1.091 pieds a été achevé et les travaux de mise en valeur ont commencé à différents niveaux.

La construction du concentrateur de cuivre-zinc et des installations accessoires est en cours et la production commencera durant le dernier trimestre de cette année.

Mines Patiño (Québec) Limitée

Depuis la reprise des opérations qui succédèrent à la grève terminée en avril, l'exploitation minière a été limitée à la mine de Copper Rand et plus particulièrement à l'exploitation des régions ayant une teneur en or supérieure à la moyenne et n'exigeant qu'un taux de main d'œuvre au-dessous de la moyenne. La production s'est poursuivie à une cadence très réduite et la société a enregistré des pertes. L'on s'attend à ce que la production et les coûts s'améliorent au cours du second semestre et qu'un léger profit pourra être dégagé.

Production pour le premier semestre.

1974	1975	
		Cuivre
15.273.000	4.161.000	— livres
19.200	5.600	— onces
76.500	22.000	— onces
		Argent
		Mineral extrait — tonnes
513.000	137.000	courtes
		Teneur du mineral
1,54%	1,59%	extrait — cuivre
0,037 onces	0,053 onces	or

Faits saillants

30 juin

1975

1974
ajusté

Bénéfice avant éléments exceptionnels	\$ 1.733.000	\$ 12.734.000
par action	\$0,40	\$2,91
Bénéfice net	1.784.000	16.236.000
par action	\$0,41	\$3,71
Marge brute d'auto-financement	5.489.000	15.221.000
par action	\$1,25	\$3,48
Fonds de roulement	46.147.000	50.470.000
Avoir des actionnaires, valeur comptable	88.666.000	92.607.000
par action	\$20,26	\$21,16

Le bénéfice net de l'exercice en cours a été affecté par la continue faible des prix des métaux, par l'augmentation des coûts résultant de l'inflation et par la grève dans les mines canadiennes, dont l'impact principal s'est déjà fait sentir au niveau des résultats du second trimestre. En ce moment, il n'y a pas de signe d'amélioration à brève échéance.

Amaigamated Metal Corporation Limited

Consolidated Tin Smelters Limited et Amaigamated Metal Corporation Limited (AMC) ont fusionné. Avec une participation de 50,2%, Patiño, N.V. contrôle la nouvelle société. Les résultats financiers du 1er janvier au 30 juin 1975 tiennent compte des résultats de cette dernière.

La contribution du groupe AMC aux bénéfices pour les six premiers mois de 1975 a été plus faible qu'en 1974. Ceci est imputable au déclin du volume des affaires et à la baisse des marges bénéficiaires dus au ralentissement de l'activité industrielle qui persiste maintenant depuis quelques mois. En tenant compte de ces conditions, les profits du groupe ont été assez satisfaisants.

Patiño, N.V. et filiales

Etat consolidé des variations de la situation financière
(en milliers de dollars canadiens)

Chiffres
vérifiés pour
l'exercice
1974
Non vérifiés
pour les six mois
jusqu'au 30 juin
1974
ajusté

Provenance des fonds		
Bénéfice avant intérêts minoritaires et éléments exceptionnels	\$ 27,948	3,886
Amortissements	1,577	2,088
Impôts sur les sociétés différés	192	339
Quote-part du bénéfice net des sociétés associées, moins les dividendes reçus	(404)	5,489
Produits des cessions de titres	567	7,190
Autres éléments exceptionnels avant intérêts minoritaires	—	18
Augmentation des dettes à long terme	2,352	—
Autres éléments	(559)	3
	7,849	22,432

Affectation des fonds		
Coûts de mise en valeur des mines et prix de revient des propriétés minières	1,051	2,769
Augmentation des immobilisations, net	2,907	2,328
Acquisition des titres de participation	972	1,604
Projets miniers et projets divers	160	194
Remboursement des dettes à long terme	20	—
Acquisition d'intérêts minoritaires	—	42
Dividendes payés:		
Patiño, N.V.	2,176	—
aux intérêts minoritaires du Groupe	1,326	1,756
Acquisition d'une filiale	281	—
	8,893	8,893
Augmentation (diminution) du fonds de roulement	(1,044)	13,739
Fonds de roulement au début de la période	47,191	36,731
Fonds de roulement à la fin de la période	\$ 46,147	\$ 50,470

Patiño, N.V. et filiales

Etat consolidé des résultats

(en milliers de dollars canadiens)

Chiffres vérifiés pour l'exercice	1974	1975	Non vérifiés pour les six mois jusqu'au 30 juin
Produits			
Ventes nettes	\$1.766,095		\$761,883
Quote-part du bénéfice net des sociétés associées	7,605	1,062	
Produits divers	7,353	4,674	
	1,781,053	767,619	838,661
Coûts, frais et charges			
Charges d'exploitation	1,720,176	754,800	804,121
Amortissements	3,886	1,577	2,086
Intérêts sur dettes à long terme	931	651	383
Intérêts sur dettes à court terme	10,768	3,306	3,675
	1,735,761	760,334	810,267
Bénéfice avant impôts, intérêts minoritaires et éléments exceptionnels	45,292	7,285	28,394
Provision pour impôts — exigibles — différés	16,418	2,969	9,980
	926	192	339
	17,344	3,161	10,319
Bénéfice avant intérêts minoritaires et éléments exceptionnels	27,948	4,124	18,075
Intérêts minoritaires	9,477	2,391	5,341
Bénéfice avant éléments exceptionnels	18,471	1,733	12,734
Eléments exceptionnels	694	51	3,502
Bénéfice net	\$ 19,165	\$ 1,784	\$ 16,236
Bénéfice par action			
Avant éléments exceptionnels	\$4,22	\$0,40	\$2,91
Après éléments exceptionnels	\$4,38	\$0,41	\$3,71

PATiÑO, N.V.

Rapport intermédiaire
6 mois, se terminant le 30 juin 1975

AR13